



The State of Israel

Ministry of Finance

Ministry of Industry,
Trade and Labor

Joint Declaration of Intention

Government backed Israeli Biotechnology Fund

The Israeli Ministry of Finance and the Office of the Chief Scientist in the Ministry of Industry, Trade & Labor jointly declare the proposed formation of a government backed biotechnology fund. The goal of the fund is to promote and accelerate the growth of the Israeli biotechnology industry. The fund will be structured as a venture capital fund. The capital commitments of the fund will be made by the Israeli government together with the Israeli and foreign private sector. The fund will be managed by a dedicated professional management team which will be chosen by the Israeli government through a tender process. The tender will be open to local and foreign management teams with proven track records in managing biotechnology investments. The government will commit NIS 250 million (approximately USD 63 million) to the fund as a limited partner. The government intends that its commitment will be matched by commitments of private sector investors amounting to a multiple of the government's commitment. The government will share a portion of its profits arising from its investment in the fund with the general partner and the other limited partners; in addition, the government will provide certain "downside" protections to the other limited partners. The terms of the fund will be published no later than September 15, 2009.

The Israeli government has identified the enormous potential of the local biotechnology market:

- The number of per capita patents granted by the US PTO in biotechnology is second only to the United States¹; 8.5% of all patents registered in Israel are in this field and the Israeli specialization index in this field is among the highest in the world².
- There are many biotechnology R&D companies in Israel, approximately 160 companies.
- The Office of the Chief Scientist in the Ministry of Industry, Trade & Labor has granted approximately 20% of its entire early stage R&D grants to the biotechnology sector³.
- There are many PhD graduates in the relevant areas.


The Israeli government acknowledges that this potential has yet to be realized, as illustrated by the following:

- In general, the Israeli biotechnology companies do not ordinarily reach commercial levels of development.
- A substantial number of researchers leave the country because of a lack of sufficient attractive employment opportunities in Israel.
- 90% of Israeli biotechnology companies have less than 50 employees⁴.


The Israeli government recognizes the far-reaching benefits of building a thriving local biotechnology industry which include:

- An increase of billions of dollars in the GDP on a yearly basis.
- An improvement in Israel's balance of payments (almost all production will be exported).
- Income from royalties and taxes.
- Attracting further investments in Israel and creating a future growth engine in the biotechnology field, which has shown double-digit growth in the world for many years.
- Promoting new innovations in the biotechnology field.
- Raising the level of employment in general and specifically among academics trained in the field of life sciences.

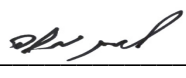
Due mainly to the relatively long life cycle of biotechnology investments and the "high-risk / high reward" nature of these investments, local venture capital funds, institutional investors and other local investors have largely refrained from making the required investments in this area. This funding "gap" has stymied the growth of the local biotechnology industry both in terms of the number of local Phase II and Phase III companies and in terms of managerial know-how in this field. The Israeli government has decided to fill this funding "gap" by forming the fund which is designed to combine public capital and private capital under the management of an experienced investment management team.



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¹ Israel Life Science Industry, 2007.

² OECD Compendium of Patents Statistics, January 2006.

³ OCS incubator report, March 2008.

⁴ Glenrock, 2006.